

Senate Study Bill 1198

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON McKIBBEN)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to charitable contributions and historical
2 rehabilitation by establishing a community development program
3 to provide tax credits for businesses contributing to
4 community development projects to aid certain neighborhoods
5 and communities; by establishing an endow Iowa seeds grants
6 program to aid local philanthropic entities and providing tax
7 credits; by allowing the transfer of certain historical
8 rehabilitation and housing tax credits; and by establishing an
9 individual income tax credit for contributions to certain
10 qualified endowments; and including effective and retroactive
11 applicability date provisions.
12 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
13 TLSB 3383SC 80
14 mg/cl/14

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1 1 Section 1. NEW SECTION. 15.380 SHORT TITLE.
1 2 This part shall be known as and may be cited as the
1 3 "Community Development Program Act".
1 4 Sec. 2. NEW SECTION. 15.381 DEFINITIONS.
1 5 As used in this part, unless the context otherwise
1 6 requires:
1 7 1. "Business" means all businesses operating within the
1 8 state and includes individuals operating a sole proprietorship
1 9 or having rental, royalty, or farm income in this state and
1 10 includes a consortium of businesses.
1 11 2. "Community services" means, but is not limited to,
1 12 individual, group, and family counseling; parent and early
1 13 childhood education; mental health services; primary care and
1 14 community medical health centers; child and adult care
1 15 services; senior citizen service centers; recreation programs;
1 16 nutrition programs; emergency shelters for persons suffering
1 17 from physical abuse or rape; services for the handicapped;
1 18 sheltered workshops; vocational counseling; substance abuse
1 19 counseling; and referral services.
1 20 3. "Contribution" includes cash, material or supplies,
1 21 real estate, labor, professional services, technical
1 22 assistance, or equipment. "Contribution" does not include
1 23 investments made by a financial institution or insurance
1 24 company in the normal course of its business.
1 25 4. "Crime prevention" means activities which include but
1 26 are not limited to services to ex-offenders, local civilian
1 27 organizations that help prevent crime or provide aid to
1 28 victims of crime, mediation services aimed at resolving
1 29 disputes and conflicts before they become criminal incidents,
1 30 or services to juveniles who have had contact with the court
1 31 or police.
1 32 5. "Distressed or blighted area" means an area designated
1 33 or that qualifies under section 15E.194 to be designated an
1 34 enterprise zone pursuant to chapter 15E, division XVIII,
1 35 designated as a slum or blighted area pursuant to chapter 403,
2 1 or designated as a revitalization area pursuant to chapter
2 2 404.
2 3 6. "Economic development" means the acquisition,
2 4 renovation, improvement, or the furnishing or equipping of
2 5 existing buildings and real estate in distressed or blighted
2 6 areas of the state when this acquisition, renovation,
2 7 improvement, or the furnishing or equipping of the existing
2 8 buildings and real estate will result in the creation or
2 9 retention of jobs within the state.
2 10 7. "Education" includes literacy programs, adult basic
2 11 education and general educational development certificate
2 12 programs, training for the physically or mentally challenged,
2 13 and other educational programs deemed beneficial to the

2 14 participants.

2 15 8. "Job training" means those activities which provide

2 16 specific vocational skills including special apprenticeship or

2 17 on-the-job training programs not otherwise available.

2 18 9. "Neighborhood or community area" means a specific

2 19 geographic area certified by the department as having a

2 20 readily identifiable residential population and which may

2 21 include, but is not limited to, any of the following factors:

2 22 a. A sense of belonging or identity that ties residents to

2 23 a given area.

2 24 b. Social, cultural, political, or economic activities

2 25 around which people organize themselves.

2 26 c. The existence of cohesive organizations formed by

2 27 residents.

2 28 d. A city with a population of less than ten thousand or a

2 29 region within a rural area may be certified as a neighborhood

2 30 or community area.

2 31 e. A history of acting or being treated as a distinct or

2 32 cohesive unit.

2 33 f. The area is designated as a community empowerment area

2 34 in accordance with chapter 28.

2 35 10. "Physical revitalization" means activities designed

3 1 for the physical improvement of any part or all of a

3 2 neighborhood or community area. These activities may include,

3 3 but are not limited to, such programs as commercial area

3 4 revitalization; housing construction or rehabilitation;

3 5 improvements to or acquisition or construction of facilities

3 6 used by nonprofit organizations for community purposes or

3 7 related planning and promotional activities designed to aid in

3 8 those programs.

3 9 11. a. "Qualifying organization" means an organization

3 10 performing community services or economic development

3 11 activities in the state and is any of the following:

3 12 (1) A person or organization that is exempt from federal

3 13 income taxation under the Internal Revenue Code as defined in

3 14 section 422.3.

3 15 (2) A nonprofit corporation organized under the laws of

3 16 this state.

3 17 (3) Designated as a community development corporation by

3 18 the federal government pursuant to Title VII of the Economic

3 19 Opportunity Act of 1964, Pub. L. No. 88-452.

3 20 (4) A community empowerment area board created in

3 21 accordance with chapter 28.

3 22 b. "Qualifying organization" does not include any of the

3 23 following:

3 24 (1) A unit or agency of the state, local government, or

3 25 educational institution. This subparagraph shall not be

3 26 interpreted to prevent a community empowerment area board from

3 27 being considered a qualifying organization.

3 28 (2) A foundation or trust of a postsecondary educational

3 29 institution.

3 30 (3) A church-affiliated religious organization unless all

3 31 of the contributions to the organization are used for

3 32 performing community services.

3 33 Sec. 3. NEW SECTION. 15.382 COMMUNITY DEVELOPMENT TAX

3 34 CREDIT == APPROVAL OF PROJECTS AND PROPOSALS.

3 35 1. TAX CREDIT. A business which engages in the activities

4 1 of providing physical revitalization, economic development,

4 2 job training or education for individuals, community services,

4 3 or crime prevention in the state shall receive a community

4 4 development tax credit as provided in section 15.383 if the

4 5 director annually approves the proposal of the business.

4 6 However, a proposal for a community development tax credit

4 7 shall not be approved unless the local government for the area

4 8 in which the business is engaging in such activities endorses

4 9 the proposal as consistent with the strategic plan adopted by

4 10 an organization representative of the area or if such plan

4 11 does not exist, as consistent with the overall neighborhood or

4 12 community development plan adopted by that local government.

4 13 2. ECONOMIC DEVELOPMENT PROJECTS. For economic

4 14 development projects in distressed or blighted areas for which

4 15 community development tax credits under this part may be

4 16 approved, the following guidelines apply:

4 17 a. Applications shall be accepted from any locally based

4 18 qualifying organization wishing to conduct an economic

4 19 development project in a distressed or blighted area.

4 20 b. Applicants may not administer more than one economic

4 21 development project at a time. A project may include more

4 22 than one building, provided that the proposal meets all other

4 23 eligibility requirements as set forth in this subsection and

4 24 rules of the department.

4 25 c. Applications will be accepted by the department at any
4 26 time of the year and will be approved on a case-by-case basis
4 27 as all the necessary requirements are met and as credits
4 28 become available.

4 29 d. A maximum authorization of one hundred fifty thousand
4 30 dollars in community development tax credits will be permitted
4 31 per project and no more than five percent of the credits
4 32 authorized for the project shall normally be allowed for
4 33 administrative and operating expenses. In unusual
4 34 circumstances, a higher percentage may be allowed at the
4 35 discretion of the department.

5 1 3. COMMUNITY DEVELOPMENT PROJECTS. For community
5 2 development projects, other than economic development
5 3 projects, for which community development tax credits under
5 4 this part may be approved, the following procedures, criteria,
5 5 and priorities apply:

5 6 a. A proposal for a proposed program shall be submitted by
5 7 a qualifying organization for carrying out a specific project
5 8 consistent with the purposes of this part.

5 9 b. All proposals shall be made on the forms supplied by
5 10 the department. Each proposal shall contain a project budget
5 11 and shall identify, if possible, the items and amounts of the
5 12 budget which will be provided for from contributions from any
5 13 business. A project budget shall be approved by the
5 14 department. The department may request any additional
5 15 information it determines necessary to evaluate a proposal or
5 16 plan.

5 17 c. Community development projects and the budgets for them
5 18 may be approved for a period of up to three years at the
5 19 discretion of the director.

5 20 d. An annual application deadline shall be determined by
5 21 the department and application materials shall be distributed
5 22 upon request no less than sixty days prior to the actual
5 23 application deadline.

5 24 e. All proposals must address at least one of the
5 25 following priorities in order to qualify for approval:

5 26 (1) The project substantially contributes to self-help
5 27 efforts by residents of the neighborhood or community area to
5 28 be served in addressing locally defined objectives.

5 29 (2) The project will result in the provision of essential
5 30 services to low-income and moderate-income families which
5 31 would not otherwise be provided in the affected neighborhood
5 32 or community area and for which there are not other resources.
5 33 "Low-income and moderate-income families" means those
5 34 families, including single-person households, earning no more
5 35 than eighty percent of the higher of the median family income
6 1 of the county or the statewide nonmetropolitan area as
6 2 determined by the latest United States department of housing
6 3 and urban development, section 8 income guidelines.

6 4 (3) The project tangibly contributes to the development of
6 5 lasting cooperation and partnership efforts of neighborhood
6 6 organizations and businesses.

6 7 f. Approval or disapproval of proposals shall be based on
6 8 the following criteria:

6 9 (1) The director must certify an area as experiencing
6 10 problems endangering the area's existence as a viable and
6 11 stable neighborhood or community to be eligible for
6 12 assistance.

6 13 (2) The qualifying organization submitting the proposal
6 14 must demonstrate its capacity to adequately administer the
6 15 project.

6 16 (3) There must be a demonstrated need for the program in
6 17 the neighborhood or community area within which the project is
6 18 to be carried out.

6 19 (4) The proposal must demonstrate that efforts have been
6 20 made to include residents of the affected neighborhood or
6 21 community area in the planning of the proposed project and
6 22 describe the extent to which they will be involved in its
6 23 implementation.

6 24 (5) The proposal must be consistent with all locally
6 25 approved neighborhood or community development plans for the
6 26 area.

6 27 (6) Proposals submitted subsequent to the first year will
6 28 be evaluated on performance of the first-year project, other
6 29 resources developed, continued need, and potential for
6 30 eventual self-sufficiency.

6 31 g. In no case shall a project be approved that does not
6 32 have a written endorsement of the appropriate local public
6 33 authority with notification given to the community empowerment
6 34 board.

6 35 h. The maximum amount of community development tax credits

7 1 allowed per project is one hundred fifty thousand dollars.
7 2 i. For purposes of the criterion in paragraph "f",
7 3 subparagraph (1), an area is experiencing problems endangering
7 4 its existence as a viable and stable neighborhood or community
7 5 if some of the following factors are present: declining
7 6 population, high percentage of people dependent on public
7 7 assistance, persistent or substantial unemployment or
7 8 underemployment, lower than average family incomes, financial
7 9 disinvestment, insurance and financial redlining, general
7 10 weakened market conditions on the neighborhood or community
7 11 commercial strip as indicated by declining rents or vacant
7 12 stores, excessive abandonment of properties, a significant
7 13 percentage of neighborhood or community residents on fixed
7 14 incomes, unsanitary or inadequate housing, overcrowding,
7 15 significant proportion of the property is rental property,
7 16 property speculation, high rates of crime and delinquency,
7 17 high degree of drug or alcohol abuse, increasing cases of
7 18 mental health problems, significant numbers of single-parent
7 19 households, high degree of infant mortality and disease,
7 20 disabilities, general unsanitary conditions in the area, or
7 21 poor city and public utility services.

7 22 4. TAX CREDIT APPLICATION.

7 23 a. The department shall approve or disapprove applications
7 24 for community development tax credits to businesses which have
7 25 invested in approved economic development projects or other
7 26 community development projects. The director, upon approval
7 27 of an application, shall notify the director of revenue and
7 28 finance and the governor of those businesses entitled to a tax
7 29 credit.

7 30 If the business meets the criteria for eligibility, the
7 31 department of economic development shall issue to the business
7 32 a certification of entitlement for the community development
7 33 tax credit. The certification shall contain the name of the
7 34 business, address, tax identification number, the amount of
7 35 the credit, the tax year for which the certificate applies,
8 1 and any other information required by the department of
8 2 revenue and finance.

8 3 b. The procedures and requirements for filing a tax credit
8 4 application are as follows:

8 5 (1) Businesses wanting to donate to a particular community
8 6 development project, but first wishing to verify the
8 7 eligibility of the donation for a tax credit, may submit a tax
8 8 credit eligibility confirmation form to the department. The
8 9 department will confirm in writing whether or not the donation
8 10 qualifies for credit and how the value of the credit will be
8 11 determined. This confirmation will not constitute credit
8 12 approval.

8 13 (2) In order to qualify for credit, donations must occur
8 14 during the approved project period with the exception of
8 15 donated audit services, which may occur anytime during the
8 16 six-month period following the project period, and must be
8 17 directly related to the approved project.

8 18 (3) Businesses wishing to apply for credit must complete a
8 19 community development tax credit application.

8 20 (4) Tax credit applications are to be signed by the
8 21 qualifying organization and submitted directly to the
8 22 department not later than one year following the date of
8 23 donation.

8 24 (5) The order in which completed credit applications are
8 25 received by the department will determine the order in which
8 26 credits are approved. Facsimile copies will not be considered
8 27 completed applications.

8 28 (6) Every transmittal of community development tax credit
8 29 applications to the department must be accompanied by a
8 30 project report prepared by the qualifying organization.

8 31 (7) The department shall examine all submitted
8 32 applications and determine which donations meet the
8 33 eligibility criteria.

8 34 c. The department shall establish by rule the methods to
8 35 be used in determining the value of contributions of a
9 1 business.

9 2 Sec. 4. NEW SECTION. 15.383 TAX CREDIT == DOCUMENTATION.

9 3 1. For a tax credit application approved pursuant to
9 4 section 15.382, the community development tax credit available
9 5 under this part may be used to reduce the tax liability
9 6 imposed under chapter 422, division II, III, or V, or chapter
9 7 432 or 533.

9 8 2. Subject to subsections 3 and 4, the amount of the
9 9 community development tax credit shall be fifty percent of the
9 10 contribution made by the business during the tax year.

9 11 3. a. The tax credit shall not exceed one hundred

9 12 thousand dollars annually.

9 13 b. Any tax credit in excess of the business's tax
9 14 liability for a tax year may be credited to the tax liability
9 15 for the following five tax years or until depleted, whichever
9 16 is the earlier.

9 17 c. A financial institution or insurance company shall not
9 18 receive a tax credit for activities that are part of its
9 19 normal course of business.

9 20 d. To be eligible to receive the tax credit, a business
9 21 shall provide documentation of the contributions on which the
9 22 credit is based. The documentation shall be as specified by
9 23 rules of the department.

9 24 4. The total amount of community development tax credits
9 25 that may be approved pursuant to this part shall not exceed
9 26 two million dollars in any fiscal year.

9 27 Sec. 5. Section 15E.193B, subsection 8, Code 2003, is
9 28 amended to read as follows:

9 29 8. The amount of the tax credits determined pursuant to
9 30 subsection 6, paragraph "a", for each project shall be
9 31 approved by the department of economic development. The
9 32 department shall utilize the financial information required to
9 33 be provided under subsection 5, paragraph "e", to determine
9 34 the tax credits allowed for each project. In determining the
9 35 amount of tax credits to be allowed for a project, the
10 1 department shall not include the portion of the project cost
10 2 financed through federal, state, and local government tax
10 3 credits, grants, and forgivable loans. Upon approving the
10 4 amount of the tax credit, the department of economic
10 5 development shall issue a tax credit certificate to the
10 6 eligible housing business. An eligible housing business or
10 7 transferee shall not claim the tax credit unless a tax credit
10 8 certificate issued by the department of economic development
10 9 is attached to the taxpayer's return for the tax year for
10 10 which the tax credit is claimed. The tax credit certificate
10 11 shall contain the taxpayer's name, address, tax identification
10 12 number, the amount of the tax credit, and other information
10 13 required by the department of revenue and finance. The tax
10 14 credit certificate shall be transferable if low-income housing
10 15 tax credits authorized under section 42 of the Internal
10 16 Revenue Code are used to assist in the financing of the
10 17 housing development. The department of economic development
10 18 and the department of revenue and finance shall adopt
10 19 procedures relating to the issuance of the certificates, the
10 20 transfer of a certificate and related tax credit by an
10 21 eligible housing business, and for the redemption of a
10 22 certificate and related tax credit by an eligible housing
10 23 business or transferee.

10 24 Sec. 6. NEW SECTION. 15E.221 SHORT TITLE.
10 25 This division shall be known as and may be cited as the
10 26 "Endow Iowa Program Act".

10 27 Sec. 7. NEW SECTION. 15E.222 PURPOSE.
10 28 The purpose of this division is to enhance the quality of
10 29 life for citizens of this state through increased
10 30 philanthropic activity by providing seed capital to citizen
10 31 groups of this state organized to establish endowment funds
10 32 that will address community needs. The purpose of this
10 33 division is also to encourage individuals, businesses, and
10 34 organizations to invest in community foundations.

10 35 Sec. 8. NEW SECTION. 15E.223 DEFINITIONS.

11 1 As used in this division, unless the context otherwise
11 2 requires:

11 3 1. "Board" means the governing board of the lead
11 4 philanthropic entity identified by the department pursuant to
11 5 section 15E.224.

11 6 2. "Business" means a business operating within the state
11 7 and includes individuals operating a sole proprietorship or
11 8 having rental, royalty, or farm income in this state and
11 9 includes a consortium of businesses.

11 10 3. "Community affiliate organization" means a group of
11 11 five or more community leaders or advocates organized for the
11 12 purpose of increasing philanthropic activity in an identified
11 13 community or geographic area in this state with the intention
11 14 of establishing a community affiliate endowment fund.

11 15 4. "Endowment gift" means an irrevocable contribution to a
11 16 permanent endowment held by a qualified community foundation.

11 17 5. "Lead philanthropic entity" means the entity identified
11 18 by the department pursuant to section 15E.224.

11 19 6. "Qualified community foundation" means a community
11 20 foundation organized or operating in this state that meets or
11 21 exceeds the national standards established by the national
11 22 council on foundations.

11 23 Sec. 9. NEW SECTION. 15E.224 ENDOW IOWA SEED GRANTS.

11 24 1. The department shall identify a lead philanthropic
11 25 entity for purposes of encouraging the development of
11 26 qualified community foundations in this state. A lead
11 27 philanthropic entity shall meet all of the following
11 28 qualifications:

11 29 a. The entity shall be a nonprofit entity which is exempt
11 30 from federal income taxation pursuant to section 501(c)(3) of
11 31 the Internal Revenue Code.

11 32 b. The entity shall be a statewide organization with
11 33 membership consisting of organizations, such as community,
11 34 corporate, and private foundations, whose principal function
11 35 is the making of grants within this state of Iowa.

12 1 c. The entity shall have a minimum of forty members and
12 2 that membership shall include qualified community foundations.

12 3 2. A lead philanthropic entity may receive a grant from
12 4 the department. The board shall use the grant moneys to award
12 5 endow Iowa seed grants to community affiliate organizations
12 6 that do all of the following:

12 7 a. Provide the board with all information required by the
12 8 board.

12 9 b. Demonstrate a dollar=for=dollar funding match in a form
12 10 approved by the board.

12 11 c. Identify a qualified community foundation to hold all
12 12 funds.

12 13 d. Provide a plan to the board demonstrating the method
12 14 for distributing grant moneys received from the board to
12 15 charities within the community or geographic area as defined
12 16 by the community affiliate organization.

12 17 3. To be eligible to be awarded endow Iowa seed grants
12 18 under subsection 2, a community affiliate organization must
12 19 establish that it has built leadership in the community or
12 20 geographic area and created a cohesive and focused
12 21 organization with a shared vision of a desired future and
12 22 strategic plan to promote the community or geographic region.

12 23 4. Endow Iowa seed grants shall not exceed twenty=five
12 24 thousand dollars per community affiliate organization unless a
12 25 community affiliate organization demonstrates a multiple
12 26 county or regional approach. Endow Iowa seed grants may be
12 27 awarded on an annual basis with not more than three grants
12 28 going to one county in a fiscal year.

12 29 5. In ranking applications for grants, the board shall
12 30 consider a variety of factors including the following:

12 31 a. The demonstrated need for financial assistance to
12 32 create a community affiliate endowment fund.

12 33 b. The potential for future philanthropic activity in the
12 34 area represented by or being considered for assistance.

12 35 c. The proportion of the funding match being provided.

13 1 d. The demonstrated need for the creation of a community
13 2 affiliate endowment fund in the applicant's geographic area.

13 3 e. The identification of community needs and the manner in
13 4 which additional funding will address those needs.

13 5 f. The geographic diversity of awards.

13 6 6. Of any moneys received by a lead philanthropic entity
13 7 from the state, not more than five percent of such moneys
13 8 shall be used by the entity for administrative purposes.

13 9 Sec. 10. NEW SECTION. 15E.225 ENDOW IOWA TAX CREDIT.

13 10 1. For tax years beginning on or after January 1, 2003, a
13 11 tax credit shall be allowed against the taxes imposed in
13 12 chapter 422, divisions II, III, and V, and in chapter 432, and
13 13 against the moneys and credits tax imposed in section 533.24
13 14 equal to twenty percent of a taxpayer's endowment gift to a
13 15 qualified community foundation. An individual may claim a tax
13 16 credit under this section of a partnership, limited liability
13 17 company, S corporation, estate, or trust electing to have
13 18 income taxed directly to the individual. The amount claimed
13 19 by the individual shall be based upon the pro rata share of
13 20 the individual's earnings from the partnership, limited
13 21 liability company, S corporation, estate, or trust. A tax
13 22 credit shall be allowed only for an endowment gift made to a
13 23 qualified community foundation for a permanent endowment fund
13 24 established to benefit a charitable cause in this state. Any
13 25 tax credit in excess of the taxpayer's tax liability for the
13 26 tax year may be credited to the tax liability for the
13 27 following five years or until depleted, whichever occurs
13 28 first. A tax credit shall not be carried back to a tax prior
13 29 to the tax year in which the taxpayer claims the tax credit.

13 30 2. The aggregate amount of tax credits authorized pursuant
13 31 to this section shall not exceed a total of twenty=five
13 32 million dollars. The maximum amount of tax credits granted to
13 33 a taxpayer shall not exceed five percent of the aggregate

13 34 amount of tax credits authorized.

13 35 3. A tax credit shall not be transferable to any other
14 1 taxpayer.

14 2 4. A tax credit shall not be authorized pursuant to this
14 3 section after December 31, 2005.

14 4 5. The department shall develop a system for registration
14 5 and authorization of tax credits under this section and shall
14 6 control the distribution of all tax credits to taxpayers
14 7 providing an endowment gift subject to this section. The
14 8 department shall adopt administrative rules pursuant to
14 9 chapter 17A for the qualification and administration of
14 10 endowment gifts.

14 11 Sec. 11. NEW SECTION. 15E.226 REPORTS == AUDITS.

14 12 By January 31 of each year, the lead philanthropic entity,
14 13 in cooperation with the department, shall publish an annual
14 14 report of the activities conducted pursuant to this division
14 15 during the previous calendar year and shall submit the report
14 16 to the governor and the general assembly. The annual report
14 17 shall include a listing of endowment funds and the amount of
14 18 tax credits authorized by the department.

14 19 Sec. 12. Section 404A.2, Code 2003, is amended by adding
14 20 the following new unnumbered paragraph after unnumbered
14 21 paragraph 3:

14 22 NEW UNNUMBERED PARAGRAPH. A person receiving a tax credit
14 23 under this chapter may transfer all or a portion of the unused
14 24 tax credit to any other person. The transferee may use the
14 25 amount of the tax credit transferred against taxes imposed
14 26 under chapter 422, division II, III, or V, or chapter 432 for
14 27 any tax year the transferor could have claimed the credit.
14 28 Any consideration received for the transfer of the tax credit
14 29 shall not be included as income under chapter 422, division
14 30 II, III, or V, or chapter 432. Any consideration paid for the
14 31 transfer of the tax credit shall not be deducted under chapter
14 32 422, division II, III, or V, or chapter 432.

14 33 Sec. 13. Section 404A.4, subsection 2, Code 2003, is
14 34 amended to read as follows:

14 35 2. After verifying the eligibility for the tax credit, the
15 1 state historic preservation office, in consultation with the
15 2 department of economic development, shall issue a property
15 3 rehabilitation tax credit certificate to be attached to the
15 4 person's tax return. The tax credit certificate shall contain
15 5 the taxpayer's name, address, tax identification number, the
15 6 date of project completion, the amount of credit, ~~and~~ other
15 7 information required by the department of revenue and finance,
15 8 ~~and a place for the name and tax identification number of a~~
15 9 ~~transferee and the amount of the tax credit being transferred.~~

15 10 Sec. 14. NEW SECTION. 422.11H ENDOW IOWA TAX CREDIT.

15 11 The tax imposed under this division, less the credits
15 12 allowed under sections 422.12 and 422.12B, shall be reduced by
15 13 an endow Iowa tax credit authorized pursuant to section
15 14 15E.225.

15 15 Sec. 15. NEW SECTION. 422.11I COMMUNITY DEVELOPMENT TAX
15 16 CREDIT.

15 17 The taxes imposed under this division, less the credits
15 18 allowed under sections 422.12 and 422.12B, shall be reduced by
15 19 a community development tax credit received pursuant to
15 20 sections 15.380 through 15.383.

15 21 An individual may claim the tax credit allowed a
15 22 partnership, limited liability company, S corporation, or
15 23 estate or trust electing to have the income taxed directly to
15 24 the individual. The amount claimed by the individual shall be
15 25 based upon the pro rata share of the individual's earnings of
15 26 the partnership, limited liability company, S corporation, or
15 27 estate or trust.

15 28 Any credit in excess of the tax liability for the tax year
15 29 may be credited to the tax liability for the following five
15 30 tax years or until depleted, whichever is earlier.

15 31 If the community development tax credit is taken on the tax
15 32 return, a deduction shall not be allowed for Iowa tax purposes
15 33 for contributions made to a community development project
15 34 which are deductible for federal tax purposes.

15 35 Sec. 16. NEW SECTION. 422.11J QUALIFIED ENDOWMENT
16 1 CREDIT.

16 2 1. The taxes imposed under this division, less the credits
16 3 allowed under sections 422.12 and 422.12B, shall be reduced by
16 4 a qualified endowment credit for making contributions to a
16 5 qualified endowment. The amount of the credit equals forty
16 6 percent of the present value of the aggregate amount of the
16 7 charitable gift portion of a planned gift made by the taxpayer
16 8 during the tax year to any qualified endowment. The maximum
16 9 credit claimed by a taxpayer for contributions made from all

sources in the tax year is ten thousand dollars. Any credit in excess of the taxpayer's tax liability is nonrefundable and shall not be carried forward or backward to other tax years.

2. For purposes of this section:

a. Subject to paragraph "c", "planned gift" means an irrevocable contribution to a permanent endowment held by a tax-exempt organization, or for a tax-exempt organization, when the contribution uses any of the following techniques that are authorized under the Internal Revenue Code:

(1) Charitable remainder unitrusts or annuity trusts, as defined in section 664 of the Internal Revenue Code.

(2) Pooled income fund trusts, as defined in section 642(c)(5) of the Internal Revenue Code.

(3) Charitable lead unitrusts or annuity trusts qualifying under section 170(f)(2)(B) of the Internal Revenue Code.

(4) Charitable gift annuities or deferred charitable gift annuities undertaken pursuant to section 1011(b) of the Internal Revenue Code.

(5) Charitable life estate agreements qualifying under section 170(f)(3)(B) of the Internal Revenue Code.

(6) Paid-up life insurance policies meeting the requirements of section 170 of the Internal Revenue Code.

b. "Qualified endowment" means a permanent, irrevocable fund that is held by an Iowa incorporated or established organization that is one of the following:

(1) A tax-exempt organization under section 501(c)(3) of the Internal Revenue Code.

(2) A bank or trust company that is holding the fund on behalf of a tax-exempt organization.

c. (1) A contribution using a technique described in paragraph "a", subparagraph (1), is not a planned gift unless the trust agreement provides that the trust may not terminate and the beneficiaries' interest in the trust may not be assigned or contributed to the qualified endowment sooner than the earlier of the following:

(a) The date of death of the beneficiaries.

(b) Five years from the date of the contribution.

(2) A contribution using the technique described in paragraph "a", subparagraph (4), as a deferred charitable gift annuity is not a planned gift unless the payment of the annuity is required to begin within the life expectancy of the annuitant or of the joint life expectancies of the annuitants, if more than one annuitant, as determined using the actuarial tables adopted by rule by the department in effect on the date of the contribution.

(3) A contribution using a technique described in paragraph "a", subparagraph (4), is not a planned gift unless the annuity agreement provides that the interest of the annuitant or annuitants in the gift annuity may not be assigned to the qualified endowment sooner than the earlier of the following:

(a) The date of death of the annuitant or annuitants.

(b) Five years after the date of the contribution.

Sec. 17. Section 422.33, Code 2003, is amended by adding the following new subsection:

NEW SUBSECTION. 14. The taxes imposed under this division shall be reduced by an endow Iowa tax credit authorized pursuant to section 15E.225.

Sec. 18. Section 422.33, Code 2003, is amended by adding the following new subsection:

NEW SUBSECTION. 15. The taxes imposed under this division shall be reduced by a community development tax credit received pursuant to sections 15.380 through 15.383.

Any credit in excess of the tax liability for the tax year may be credited to the tax liability for the following five tax years or until depleted, whichever is earlier.

If the community development tax credit is taken on the tax return, a deduction shall not be allowed for Iowa tax purposes for contributions made to a community development project which are deductible for federal tax purposes.

Sec. 19. Section 422.60, Code 2003, is amended by adding the following new subsection:

NEW SUBSECTION. 7. The taxes imposed under this division shall be reduced by an endow Iowa tax credit authorized pursuant to section 15E.225.

Sec. 20. Section 422.60, Code 2003, is amended by adding the following new subsection:

NEW SUBSECTION. 8. The taxes imposed under this division shall be reduced by a community development tax credit received pursuant to sections 15.380 through 15.383.

Any credit in excess of the tax liability for the tax year

18 21 may be credited to the tax liability for the following five
18 22 tax years or until depleted, whichever is earlier.
18 23 If the community development tax credit is taken on the tax
18 24 return, a deduction shall not be allowed for Iowa tax purposes
18 25 for contributions made to a community development project
18 26 which are deductible for federal tax purposes.
18 27 Sec. 21. NEW SECTION. 432.12D ENDOW IOWA TAX CREDIT.
18 28 The taxes imposed under this chapter shall be reduced by an
18 29 endow Iowa tax credit authorized pursuant to section 15E.225.
18 30 Sec. 22. NEW SECTION. 432.12E COMMUNITY DEVELOPMENT TAX
18 31 CREDIT.

18 32 The tax imposed under this chapter shall be reduced by a
18 33 community development tax credit received pursuant to sections
18 34 15.380 through 15.383.

18 35 Any credit in excess of the tax liability for the calendar
19 1 year may be credited to the tax liability for the following
19 2 five calendar years or until depleted, whichever is earlier.

19 3 Sec. 23. Section 533.24, Code 2003, is amended by adding
19 4 the following new unnumbered paragraph:

19 5 NEW UNNUMBERED PARAGRAPH. The moneys and credits tax
19 6 imposed under this section shall be reduced by an endow Iowa
19 7 tax credit authorized pursuant to section 15E.225.

19 8 Sec. 24. Section 533.24, Code 2003, is amended by adding
19 9 the following new unnumbered paragraph:

19 10 NEW UNNUMBERED PARAGRAPH. The tax imposed on moneys and
19 11 credits under this section shall be reduced by a community
19 12 development tax credit received pursuant to sections 15.380
19 13 through 15.383. Any credit in excess of the tax liability for
19 14 the tax year may be credited to the tax liability for the
19 15 following five tax years or until depleted, whichever is
19 16 earlier.

19 17 Sec. 25. EFFECTIVE AND APPLICABILITY DATE.

19 18 1. This Act, being deemed of immediate importance, takes
19 19 effect upon enactment.

19 20 2. Sections 15, 16, 18, 20, 22, and 24 of this Act apply
19 21 to tax years beginning on or after January 1, 2004.

19 22 3. Sections 14, 17, 19, 21, and 23 of this Act apply
19 23 retroactively to January 1, 2003, for tax years beginning on
19 24 or after that date.

19 25 EXPLANATION

19 26 COMMUNITY DEVELOPMENT PROGRAM AND TAX CREDITS. This bill
19 27 establishes a community development program administered by
19 28 the department of economic development. The program is to
19 29 provide tax incentives to businesses which make contributions
19 30 to projects in communities or neighborhoods that would benefit
19 31 by these projects. The projects involve the providing of
19 32 physical revitalization, economic development, job training or
19 33 education for individuals, community services, and crime
19 34 prevention. Community services projects include projects
19 35 providing for group and family counseling, parent and early
20 1 childhood mental health services and centers, child and adult
20 2 care, senior citizen centers, recreation programs, sheltered
20 3 workshops, and substance abuse counseling.

20 4 The tax incentives are provided in the form of tax credits
20 5 which may be used to offset the tax liability under the
20 6 individual and corporate income taxes, financial institution
20 7 franchise tax, the insurance gross premiums tax, and the
20 8 credit union moneys and credits tax. The amount of the
20 9 community development tax credit, subject to limitation,
20 10 equals 50 percent of the contributions made by the business to
20 11 the project. Not more than \$150,000 in tax credits may be
20 12 allowed for any one project. The maximum amount of credit a
20 13 business may receive for a project is \$100,000. Projects and
20 14 tax credits associated with the projects must be approved by
20 15 the department of economic development. The total amount of
20 16 tax credits that may be approved in a fiscal year shall not
20 17 exceed \$2 million.

20 18 QUALIFIED ENDOWMENT CONTRIBUTIONS AND TAX CREDITS. The
20 19 bill also provides an individual income tax credit for
20 20 contributions made by an individual to a qualified endowment.
20 21 A qualified endowment is a permanent, irrevocable fund that is
20 22 held by an Iowa-established organization that is exempt from
20 23 federal income tax, e.g., religious, charitable, educational,
20 24 scientific, or literary organizations or is a bank or trust
20 25 company that holds the funds for these organizations. The
20 26 amount of the credit equals 40 percent of the present value of
20 27 the gift not to exceed in the aggregate for the tax year
20 28 \$10,000. The credit is nonrefundable.

20 29 ENTERPRISE ZONE HOUSING BUSINESS TAX CREDITS. The bill
20 30 amends the tax credit provisions for eligible housing
20 31 businesses under the enterprise zone program. Under the

20 32 enterprise zone program, an eligible housing business may
20 33 claim a tax credit up to a maximum of 10 percent of the new
20 34 investment which is directly related to the eligible housing
20 35 project. The new investment that may be used to compute the
21 1 tax credit shall not exceed the new investment used for the
21 2 first \$140,000 of value for each single-family home or for
21 3 each unit of a multiple dwelling unit building containing
21 4 three or more units.

21 5 The bill provides that, upon approving the amount of the
21 6 tax credit, the department of economic development shall issue
21 7 a tax credit certificate to the eligible housing business.
21 8 The bill provides that an eligible housing business or
21 9 transferee shall not claim the tax credit unless a tax credit
21 10 certificate issued by the department of economic development
21 11 is attached to the taxpayer's return for the tax year for
21 12 which the tax credit is claimed. The bill provides that the
21 13 tax credit certificate shall be transferable if low-income
21 14 housing tax credits authorized under section 42 of the
21 15 Internal Revenue Code are used to assist in the financing of
21 16 the housing development. The bill provides that the
21 17 department of economic development and the department of
21 18 revenue and finance shall adopt procedures relating to the
21 19 issuance of the certificates, the transfer of a certificate
21 20 and related tax credit by an eligible housing business, and
21 21 the redemption of a certificate and related tax credit by an
21 22 eligible housing business or transferee.

21 23 HISTORIC PROPERTY REHABILITATION TAX CREDIT TRANSFERS. The
21 24 bill provides that a person receiving a historic property
21 25 rehabilitation tax credit may transfer all or a portion of the
21 26 unused tax credit to any other person. For any tax year the
21 27 transferor could have claimed the tax credit, the bill
21 28 provides that the transferee may use the amount of the tax
21 29 credit against personal or corporate income tax liability,
21 30 franchise tax liability, or insurance premium tax liability.
21 31 The bill provides that consideration received for the transfer
21 32 of a tax credit shall not be included as income for state tax
21 33 purposes and any consideration paid for the transfer of a tax
21 34 credit shall not be deducted from income for state tax
21 35 purposes.

22 1 ENDOW IOWA SEED GRANTS AND TAX CREDITS. The bill also
22 2 relates to endow Iowa seed grants made by a lead philanthropic
22 3 entity identified by the department of economic development
22 4 and corresponding tax credits.

22 5 The bill requires the department to identify a lead
22 6 philanthropic entity for purposes of encouraging the
22 7 development of qualified community foundations in the state.
22 8 The bill provides that a lead philanthropic entity shall be a
22 9 nonprofit entity which is exempt from federal income taxation
22 10 pursuant to section 501(c)(3) of the Internal Revenue Code; be
22 11 a statewide organization with membership consisting of
22 12 organizations, such as community, corporate, and private
22 13 foundations, whose principal function is the making of grants
22 14 within the state; and have a minimum of 40 members with that
22 15 membership including Iowa community foundations meeting the
22 16 standards established by the national council on foundations.

22 17 The bill provides that a lead philanthropic entity may
22 18 receive a grant from the department which shall be used to
22 19 award endow Iowa seed grants to community affiliate
22 20 organizations meeting certain criteria. The bill defines
22 21 "community affiliate organizations" as a group of five or more
22 22 community leaders or advocates organized for the purpose of
22 23 increasing philanthropic activity in an identified community
22 24 or geographic area in this state with the intention of
22 25 establishing a community affiliate endowment fund. To be
22 26 eligible for grants, the organization must build leadership in
22 27 the community or geographic area and must create a cohesive
22 28 and focused organization with a shared vision of the future
22 29 for the area and a strategic plan to accomplish it. The bill
22 30 provides that endow Iowa seed grants shall not exceed \$25,000
22 31 per community affiliate organization unless a community
22 32 affiliate organization demonstrates a multiple county or
22 33 regional approach. The bill provides that endow Iowa seed
22 34 grants may be awarded on an annual basis with not more than
22 35 three grants going to one county in a fiscal year. The bill
23 1 limits a lead philanthropic entity to using not more than 5
23 2 percent of moneys received from the state for administrative
23 3 purposes.

23 4 The bill provides that for tax years beginning on or after
23 5 January 1, 2003, a tax credit shall be allowed against
23 6 individual and corporate income taxes, the franchise tax for
23 7 financial institutions, the insurance premium tax, and the

23 8 moneys and credits tax for credit unions equal to 20 percent
23 9 of a taxpayer's endowment gift to a qualified community
23 10 foundation. The bill provides that a tax credit shall be
23 11 allowed only for an endowment gift made to a qualified
23 12 community foundation for a permanent endowment fund
23 13 established to benefit a charitable cause in the state. The
23 14 bill provides that any tax credit in excess of the taxpayer's
23 15 tax liability for the tax year may be credited to the tax
23 16 liability for the following five years or until depleted,
23 17 whichever occurs first, and a tax credit cannot be carried
23 18 back to a tax prior to the tax year in which the taxpayer
23 19 claims the tax credit. The bill provides that the aggregate
23 20 amount of tax credits authorized shall not exceed a total of
23 21 \$25 million. The bill limits the amount of tax credits
23 22 granted to a taxpayer to five percent of the aggregate amount
23 23 of tax credits authorized. The bill provides that the tax
23 24 credit shall not be transferable to any other taxpayer. The
23 25 bill provides that a tax credit shall not be authorized after
23 26 December 31, 2005. The bill requires the department to
23 27 develop a system for registration and authorization of tax
23 28 credits and to control distribution of all tax credits to
23 29 taxpayers providing an endowment gift.
23 30 The bill provides that, by January 31 of each year, the
23 31 lead philanthropic entity, in cooperation with the department,
23 32 shall publish an annual report of the activities conducted
23 33 pursuant to this division during the previous calendar year
23 34 and shall submit the report to the governor and the general
23 35 assembly.
24 1 The bill takes effect upon enactment, the community
24 2 development program tax credits apply to tax years beginning
24 3 on or after January 1, 2004, and the endow Iowa seed grants
24 4 program tax credits apply to tax years beginning on or after
24 5 January 1, 2003.
24 6 LSB 3383SC 80
24 7 mg/cl/14